



City of Woburn Massachusetts

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Scott D. Galvin
Mayor

May 26, 2022

Michael Concannon, President and Members of the City Council
Woburn City Council

Re: FY 2023 Budget

Dear President Concannon and Honorable Members of the City Council:

I am pleased to present the FY 2023 budget to The Woburn City Council for review and approval. The general fund budget will increase 4.86% to \$154,620,820 and the water and sewer budget will increase 4.63 % to \$20,240,564. The Grand total for the Fiscal 2023 budget is \$174,861,385 up 4.84% from last year's Grand total of \$166,792,677. The city side of the budget represents a level service budget, with the exception of eight new firefighters hired to provide increased ambulance services. As always, our city employees continue to provide a high level of service to residents and taxpayers.

I have prepared a lean budget primarily funded by the tax levy and water and sewer fees. The budget is partially funded by locally generated receipts, state aide and chapter 70 school funding. This year we anticipate unrestricted state aide to increase by 2.5%, with a \$3 million increase in chapter 70 due to a change in the funding formula. We continue to experience a loss in local city revenues due to the lingering impacts of Covid -19.

We are forecasting continued steady tax growth in our FY 23 residential and personal property tax base, which reflects a valuation date of January 1, 2022. We remain cautious concerning commercial values, with tempered optimism in our burgeoning biotech market. Due to the city of Woburn's premier location at the intersection of Routes 93 and 128, Industrial property in Woburn is experiencing limited supply, increased rental and sales values. This is a direct result of the current trend of ecommerce, increased retail distribution centers and the last mile logistics trend for immediate delivery of goods and products.

We will continue to collaboratively focus on maintaining and improving our strong financial position. Our commitment to conservative budgeting and spending, and the implementation of a number of operational best practices has helped to strengthen our financial position and retain our solid AAA S&P bond rating. Our excellent bond rating, which is the highest rating assigned by S&P, has helped save taxpayers substantial money as we borrowed funds to pay for important infrastructure projects, including, the new Fire Station Headquarters. The debt service for the new \$23 million fire station, scheduled to open in January, is fully accounted for in this budget.

At the same time, we have continued to increase our reserves and unreserved fund balance. Conversely, GASB 43 & 45 reporting requirements pose a significant threat to all city and town balance sheets. These government accounting standards now require all cities to report the financial costs of retiree insurance as they are incurred and not when the employee retires. We have been addressing this monumental expense by changing retiree contributions to health insurance and through the creation of an OPEB trust, which has accumulated over \$10,448,926 through an annual appropriation of \$750,000 and prudent investments. Notwithstanding our efforts, the city has an outstanding OPEB net liability of \$262 million.

The FY 2023 general fund budget will increase by \$7,173,201. The budget is being driven by increases in school funding, labor and salary obligations, trash and recycling costs, maturing debt, health insurance and pensions, increased staffing for the fire department and investments in technology. As always, we regularly monitor city spending after the budget is approved. In light of the possibility of protracted inflation and its impact on the cost of city services, our review of budget versus spending will be even more critical in FY 23.

The school budget is increasing by \$2,647,184 this year to \$73,273,625, which represents a 3.75% increase. There is an additional \$2 million allocation of federal ESSER funds for school initiatives not included in the 3.75 % spending increase. There is also a \$200,000 increase in our regional vocational school district assessment.

Our continued commitment to solid school funding has helped Superintendent Matthew Crowley and the School Committee with a number of important initiatives that support teachers and students as we continue moving forward together:

- Investments in reading and math curriculums k-12

- Additional teaching and support positions to meet growing special education population

- Additional ML teaching positions to support growing and diverse student population

- Expanded access to music and theater with creation of assistant band director and full time theater position at WMHS.

- Content specialist at elementary level to allow for more individualized instruction

- Increased Human Resources department to better support staff and management.

We have successfully settled three year labor contracts with the firefighters and city hall workers covering fiscal years 22, 23 and 24. Copies of the settled contracts are public records, and are available at the office of the City Clerk. The budget also includes \$1,317,827 to fund wage increases for unsettled city labor contracts, which includes \$680,358 for unsettled school labor contracts.

We continue to incorporate planned increases for new debt in accordance with our five year capital plan. Last year, we borrowed \$23 million for the new Fire Station Headquarters, which will open in January of 2023. The combined principal and interest payments for net debt service in FY 23 will increase by \$1,647,999 totaling \$6.2 million, this change still represents less than 4 % of general fund spending.

We are in year two of our three year contract for trash and recycling pickup with Waste Management. The appropriation required for FY23 increased by \$191,170 (4.79%) over last year. The increase is being driven by the price of recycling materials and increases in fuel. We will continue to monitor and explore different avenues to address these impacts over the next year.

The budget for the Woburn Fire Department increased by \$514,624 with the addition of eight new firefighters hired to provide increased ambulance services. The IT Department increased by \$73,500 due to annual service fees for our Citizens permitting system and Laser fiche scanning program. Both programs will provide residents with greater access to expedited online city services and documents, without the need to travel to city hall.

As I advised the city council last year, increases in our pension funding obligations will continue to have an impact on our budget. The appropriation for FY23 is an increase of \$361,117 (3.38%) over last year. This does not include a state legislative proposal to increase the FY 23 COLA by 5%, which would add an additional \$150,000 to this budget and over \$1 million until the pension system is fully funded in 2038.

The city renewal premium from our insurer, MIIA, for Blue Cross/Blue Shield health insurance and liability insurance increased by 4.67 % (\$959,968) to \$21,529,960. City employees contribute 25% toward their health insurance, which reduces city insurance net cost by \$5,951,116.

The water and sewer budget will increase by 4.63%. This increase is attributed to a new debt service payment of \$250,000 for water system improvements, including the continued relining of aged water lines and mains. We also experienced a \$ 428,000 increase from the MWRA for water they supply to the city. In addition, our MWRA sewer charges increased by \$332,000.

Lastly, I will be submitting the updated capital budget to the city council at your June 7, 2022 meeting. I look forward to discussing both budgets during your committee meetings.

Sincerely,



Scott D. Galvin, Mayor